

Cottage cheese becomes symbol of Israeli frustration with rising food prices

By Dina Kraft · June 20, 2011

TEL AVIV (JTA) -- For Israelis, cottage cheese is no mere dairy product.

Whipped to exceptional creamy and airy perfection, it is a coveted staple of tables across the country. Israelis spend \$440 million per year on cottage cheese.

But now, with the price of a 9-ounce container climbing to just above \$2, cottage cheese has become the focus of a consumer revolt and a symbol of frustration with the high cost of living in Israel.

"On principle I'm not going to buy," said Leah Buskila, 47, a stage manager pushing her shopping cart past stacks of colorful round cottage cheese containers in the dairy section of a large grocery store in Tel Aviv. "It's important that people are uniting about this."

Cottage cheese prices have jumped by nearly 40 percent in the last three years. Dairy companies blame the hikes on rising production costs, including the price of raw materials and labor costs.

"It's just too bad there are not similar boycotts for other things like the price of gasoline or cellular phone charges," Buskila said, echoing a common refrain.

Prices in Israel for many items are rising, even though the shekel has barely budged against the dollar and economists say inflation is mostly in check.

Gas costs more than \$8 per gallon. Buying a home has become prohibitively expensive for most Israelis. On Sunday, the government announced that it was introducing a new law to facilitate a housing construction boom in order to reduce housing prices.

For now, however, consumer anger is focused on cottage cheese.

Last week, a 25-year-old haredi Orthodox cantor named Yitzhak Alrov started a Facebook page calling for a boycott. The page quickly garnered 90,000 members from all walks of Israeli life. Alrov became an instant celebrity.

"Cottage cheese is not the essence of the struggle, it's just the symbol of a greater protest," Alrov said at a news conference last week.

The campaign surrounding cottage cheese was sparked by an article in Globes, the Israeli financial daily, which ran a story comparing food prices in Israel to basic food products in Germany. The Israeli prices often were twice as high, the article showed.

"Seeing gaps of 100 to 200 percent higher, consumers woke up," said Ilanit Hayut, the newspaper's marketing correspondent.

Hayut also found that several Israeli-made products, like some brands of soup and tea, are sold in New York for half the price as they are in Israel.

"Because here they don't have competition, companies take advantage of the situation," she told JTA. "Most companies are monopolies in many areas, and the consumer suffers."

But food companies say they have been forced to raise prices not out of greed or lack of competition, but because of global increases in production costs and rising prices for commodities like fuel and flour. Indeed, food prices are rising around the globe.

"Let them check us all, from the dairies to the retail chains," Arik Shor, the CEO of the Israeli dairy giant Tnuva, the main producer of cottage cheese in the country, said Sunday at a conference for Israeli food producers. "The state should propose its solution for coping at a time when the prices of all food products abroad and in Israel are rising."

Fruit and vegetable prices have remained mostly stable, but prices for other food products have increased by 5.1 percent in the past year, according to Israel's Central Bureau of Statistics.

The Knesset Economic Affairs Committee convened a special meeting Sunday to call on dairy companies to lower prices immediately and for the government to reinstitute price controls. The committee also said an investigation needed to be launched into the overall surge in consumer food products.

Since state supervision was lifted from dairy products in 2006, the price of a stick of butter has gone up by 39.1 percent and a small carton of heavy cream has soared by 69 percent.

"Israel is just extremely expensive, from dental floss to deodorant," said Omer Moav, a professor of economics at the Hebrew University who regularly travels to London, where he is also a professor at Royal Holloway University.

"How can it be that Kellogg's bran flakes in Israel cost more than twice what I pay for a box in London?" he said. "The fact that Israel is extremely expensive compared to other developed countries has nothing to do with a world increase in raw materials."

Maov, too, blamed a lack of competition. Israel puts limitations on imports that compete with its food products, and Israeli dairy products have virtually no competition from imports -- a limitation made to protect local industry.

"The Israeli economy is not sufficiently competitive," Maov said. "There is also the high cost of moving goods with seaports and airports controlled by unions, which makes things less efficient. The economy itself is largely controlled by a group of very wealthy families who hire strong lobbyists who work to reduce competition."

Complicating matters, although the Finance Ministry is seen as having a pro-market agenda -- Finance Minister Yuval Steinitz has threatened to "break the monopoly" in the dairy industry -- the ministers from the Agriculture Ministry and Industry, Trade & Labor Ministry have veto power on importing food products from abroad.

The editorial board at Haaretz questioned why it takes the price of cottage cheese to galvanize the country.

"Consumer protests, for all their importance, just exemplify public apathy on crucial issues that will influence the future much more than price of cottage cheese," the editorial said, citing a recent comment by Israeli President Shimon Peres that the country was "about to crash into a wall."

Peres issued the warning, saying the country was headed toward a situation in which it will cease to exist as a Jewish state because of stagnating peace efforts that, if not resolved, could lead to a binational state.

"When we hit the wall, no one will care anymore about the price of cottage cheese," the editorial said.

But for now it's the cottage cheese war and all it represents, not existential threats, that preoccupy Alon Friedman, the owner of a corner grocery store in central Tel Aviv.

"Everything is expensive here," he said standing behind the counter. To the question of how people get by, he grumbled, "Everyone owes the banks."